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# Highlights 1989 ONTARIO BUDGET



ROBERT F. NIXON • TREASURER OF ONTARIO



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## HIGHLIGHTS

1989  
Ontario  
Budget



Robert F. Nixon  
Treasurer of Ontario and  
Minister of Economics

## **Fiscal Summary**

(\$ billion)

	Interim 1988-89	Budget Plan 1989-90	Per Cent Change
Revenue	37.2	40.7	9.4
Operating Expenditure	<u>35.5</u>	<u>38.1</u>	7.0
Operating Surplus	1.7	2.6	
Capital Investment	2.8	3.2	
Capital advanced in respect of 1989-90	0.4		
Deficit to Finance Capital	1.5	0.6	

## **Economic Summary**

(\$ billion)

	1988	1989	Per Cent Change
Gross Domestic Product			
- Nominal	247	267	8.5
- Real (1981 Base)	178	183	2.8
Employment (000s)	4,862	4,952	1.9
Personal Income	204	221	8.5

Ontario's 1989 Budget is an expression of the Government's determination to see its commitments met and its agenda for reform implemented.

The Government will further improve Ontario's fiscal position. The Budget produces the largest operating surplus in Ontario's history -- \$2.6 billion. The 1989-90 deficit has been cut to \$577 million, its lowest level in 15 years, and a reduction of \$911 million from last year.

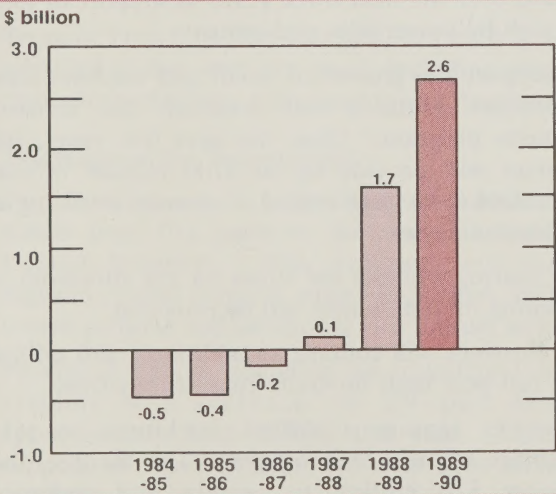
Initiatives in the Budget will:

- keep Ontario competitive;
- launch major investments in transportation;
- support a cleaner, healthier environment;
- reform Ontario's social assistance;
- fund innovations in education; and
- restructure and refinance health care.

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## Ontario's Operating Position 1984-85 to 1989-90

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## **The Ontario Economy**

For six consecutive years, real growth in Ontario exceeded four per cent, making the current economic expansion the longest and strongest since the 1960s. In 1989, real output is expected to expand by 2.8 per cent. With continuing job creation, the unemployment rate will average 5.2 per cent.

## **Keeping Ontario Competitive**

Ontario must secure and support its competitive position to keep the economy growing and to maintain our quality of life.

This year, over \$132 million, including tax support, will be provided through the \$1 billion, ten-year Technology Fund for research, development and diffusion of new industrial technologies. Over \$40 million will be allocated this year to Ontario's Centres of Excellence to support research of an international calibre. The University Research Incentive Fund will be extended to provide \$25 million over the next three years in support of joint research by universities and industry.

To support the growth of small and medium-sized companies, Ontario will establish the Growth Ventures program. Over the next five years, this program will provide up to \$100 million in loan guarantees to venture capital companies investing in eligible businesses.

Risk-sharing support for firms on the threshold of becoming multinationals will be provided.

The Province will commit an additional \$10 million on a full-year basis for trade-related initiatives.

Industries require a skilled workforce to take advantage of new technologies. The Budget plan includes \$10 million to retrain and redeploy experienced workers.



Ontario is prepared to commit up to \$9 million for the first year of a federal-provincial agreement for the Program for Older Worker Adjustment.

Ontario will increase funding for literacy programs by \$5 million for 1990.

The Government's operating support for universities and colleges in 1989-90 will increase by 7.5 per cent and 5.6 per cent respectively. The Ontario Student Assistance Program will provide \$196 million in 1989-90.

In 1989-90, \$88 million will be provided to universities through the Accessibility Envelope for enrolment growth, while for 1990-91 and beyond a more permanent approach to allocating university operating grants will be introduced.

To offset reduced federal support for mineral exploration, \$5 million will be allocated to the Ontario Prospectors' Assistance Program, the Ontario Mineral Incentive Program and other programs for junior exploration companies and individual prospectors.

To assist Ontario's film industry, \$34 million will be provided in the next two years, including assistance through the Ontario Film Investment Program.

### **Transportation Investment**

The Government is committing an additional \$2 billion over five years to the new Transportation Capital Program. This program will support highway capital projects, major municipal roads and transit projects and additional GO Transit service.

Provincial capital spending on municipal transit systems will increase by 29 per cent to approximately \$200 million this year. Operating support for these systems will total \$196 million in 1989-90.

The Province is adopting a strategy by which those who benefit significantly and directly from the provision of new public infrastructure will be required to make a greater contribution to the cost of that infrastructure.

Owners of large commercial structures and associated parking with gross areas in excess of 200,000 square feet and all commercial parking lots and parking garages within the Greater Toronto Area (GTA) will be required to pay a Commercial Concentration Levy -- an annual charge of \$1.00 per square foot, beginning in January 1990.

The rate of tax on gasoline and diesel fuel will be increased immediately by one cent per litre. The gasoline tax will be increased an additional one cent per litre, effective January 1, 1990.

Passenger motor vehicle registration fees will be increased from \$54 to \$66 in Southern Ontario and from \$27 to \$33 in Northern Ontario. To help meet critical transportation infrastructure needs in the GTA, these fees will be increased by a further \$24 to \$90.

### **Environmental Initiatives**

In 1989-90, capital outlays by the Ministry of the Environment will increase by 40 per cent over last year, including a doubling, to \$46 million, of advances for provincial water and sewage projects for municipalities. Total funding provided to the Ministry of the Environment will reach \$528 million, an increase of 70.7 per cent since 1984-85.

Ontario will allocate \$30 million over the next five years for a new Environmental Technologies Program, to assist companies in the research and development of environmentally sound production machinery and processes.

The Province will make available \$300 million in loan guarantees under the Loans for Environmental



Defense (LEND) initiative to eligible businesses installing vital pollution abatement equipment.

To help businesses achieve cleaner products and processes while sustaining competitiveness, the Ontario corporate income tax current cost adjustment will be extended to include pollution control equipment.

The Enersearch Program, which provides companies with grants to undertake research and develop energy-saving technology will be extended.

To support the Government's environmental programs:

- a tax of \$5 will be charged on the purchase of each new tire;
- a tax will be levied on new, fuel-inefficient cars sold in Ontario;
- pesticides and fertilizers, except those used in agricultural production, will be subject to Retail Sales Tax; and
- a disposal charge of five cents will be levied on the purchase of each liquor, wine, or beer container for which there is no deposit or recycling system.

The Government has allocated \$230 million to maintain and renew Ontario's forests.

### **Health Care Financing Reform**

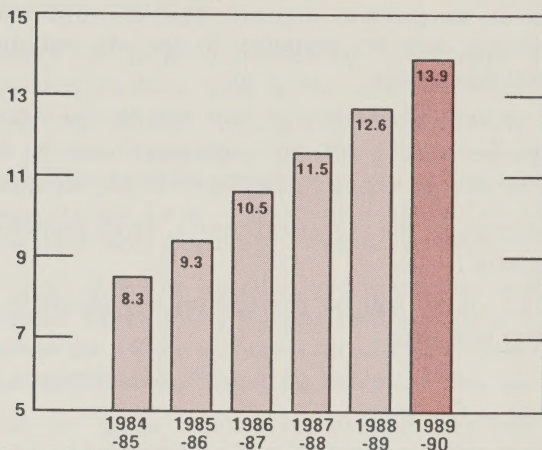
Ministry of Health expenditures will total \$13.9 billion in 1989-90, an increase of 10.7 per cent over 1988-89. As a share of total Provincial spending, the Ministry of Health accounts for 33 per cent, up from 28 per cent a decade ago.

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## Ministry of Health Expenditures 1984-85 to 1989-90

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\$ billion



As of January 1, 1990, OHIP premiums will be eliminated. This is a \$1 billion benefit to individuals and families in 1990. They will realize \$550 million in premium savings and \$450 million in personal income tax reductions.

A new Employer Health Levy will be introduced January 1, 1990. The new charge will be 1.95 per cent of payroll. Employers with small payrolls will be given the advantage of a special half-rate levy.

To maintain balance in the future funding of health care, the rate of personal income tax will be increased by one percentage point, beginning January 1, 1990.

An additional 50,000 people will benefit from an enrichment to the Ontario Tax Reduction Program. This means that, in total, 365,000 low-income individuals who are liable for basic federal personal income tax will pay no Ontario personal income tax

and 195,000 others will benefit from reduced personal income tax.

Funding for community and personal health programs will total \$1.3 billion in 1989-90. This funding includes:

- \$349 million for Home Care Assistance, an increase of \$70 million or 24.9 per cent;
- \$108 million for Community Mental Health Programs, an increase of 30.1 per cent; and
- an increase of 17.8 per cent for Alcohol and Drug Dependency Programs to \$43 million.

Provincial support for the operation of hospitals will increase by 8.3 per cent to \$6 billion in 1989-90.

### **Social Assistance Reform**

One of the fastest growing areas of Provincial spending is social assistance, which has increased by an average of 12.6 per cent annually since 1984-85.

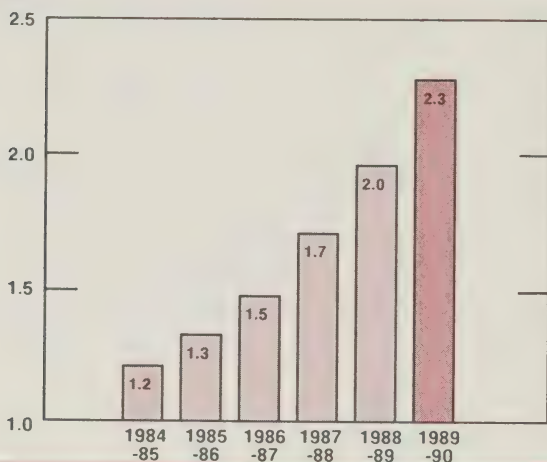
The Government is committed to helping recipients attain greater economic self-sufficiency. The Ministry of Community and Social Services will implement changes including increased benefits for children, redesigned and enriched shelter benefits, improved employment support programs, and removal of barriers which serve as disincentives to work.

In addition, social assistance benefits will be increased on average by six per cent on January 1, 1990.

With these measures, the Government will increase support for social assistance recipients by \$415 million on a full-year basis. In 1989-90, Ontario social assistance benefits will total \$2.3 billion, an increase of 92 per cent since 1984-85.

## Expenditures on Social Assistance Benefits, 1984-85 to 1989-90

\$ billion



## Measures for Low-Income Persons

The elimination of OHIP premiums is a major benefit to low-income individuals and families. A family previously paying full premiums will realize an annual saving of \$714.

The minimum wage will be increased from \$4.75 to \$5.00 per hour, effective October 1, 1989.

## Housing Programs

Effective immediately, first-time home buyers eligible for OHOSP credits will be able to obtain a full refund of the Land Transfer Tax for homes priced up to \$150,000 and a partial refund for homes priced up to \$200,000. On a full-year basis, \$10 million in refunds will be provided.

The \$2 billion in Canada Pension Plan (CPP) funds made available in the 1988 Budget for the Homes Now program has been fully committed. Additional funds will be made available to bring the total

commitment to \$3 billion. A further \$90 million will be provided annually to support the operation of the additional non-profit housing units.

Ministry of Housing expenditures will reach \$537 million in 1989-90, an increase of 28 per cent over the past year.

### **Assistance for Disabled Persons**

Over the next two years, additional funding of \$10 million will be made available for the Ontario Home Renewal Program for Disabled Persons.

A five-year, \$38 million initiative to provide disabled persons barrier-free access to all Ontario Government buildings will be introduced. The Budget also allocates an additional \$5 million in 1989-90 to fulfil the Government's commitment to improve transportation services for seniors and disabled people throughout the province.

### **Safe and Secure Communities**

Illegal drugs have affected the lives of the people of this province. An additional \$37 million will be provided over two years for a wide range of activities including community based initiatives, drug abuse rehabilitation and increased law enforcement.

The Government will allocate an additional \$12 million to assist with reform of the court system and \$10 million to fund security and other renovations of court houses across the province.

For 1989-90, Ontario's contribution to the Legal Aid Plan will be increased by 25 per cent to \$123 million. In addition, \$2.5 million will be provided to expand the number of community legal aid clinics.

The Government is providing \$12 million over two years to promote racial equality in police employment practices and greater access to services,



and to improve the relationship between the police and the community.

The Government will add \$7.8 million to expand programs to prevent violence against women and children and to provide additional support to victims.

## **Local Government**

### *Education Innovations*

The Budget funds the first-year costs of initiatives that secure future opportunities for all children and excellence in education from junior and senior kindergarten through secondary school. Once fully implemented, up to \$194 million per year in operating grants will be made available. In addition, \$100 million will be available for related capital projects.

A further \$60 million in capital funding will be provided over a five-year period for the renewal of technology education in secondary schools. Funding will be available beginning in 1990-91.

Beginning in 1990, the local tax base will be shared equitably by all school boards in the same area. This initiative will be phased in over six years, at an annual cost to the Province of up to \$180 million when fully implemented.

In the 1988 Budget, the Government responded to local needs for school facilities with a \$900 million, three-year commitment to school construction and renovation. This commitment has been extended to \$1.2 billion over four years. Since 1984-85, more than \$2.4 billion in school capital projects has been committed. To further accelerate school construction, \$300 million in Provincial funding for 1990-91 projects will be advanced this fiscal year.

### *Municipal Grants*

Transfer payments to the municipal sector in 1989-90 will total \$4.5 billion, an increase of 8 per cent, or \$333 million over last year. Transfers to municipalities for general welfare for individuals and families in need will increase by 13.6 per cent, which includes the Province's share of the enriched benefits provided in response to the recommendations of the Social Assistance Review Committee.

In addition, funding for transit facilities will increase by 16.6 per cent, environmental services by 23.7 per cent, and child care services provided in day nurseries by 16.6 per cent.

The Province advanced \$413 million of 1989-90 Unconditional Grants entitlements to municipalities in 1988-89, providing a cash flow advantage to municipalities.

### *Capital Financing*

The *Development Charges Act* will be introduced to give municipalities and school boards the option of establishing lot levies for the local share of growth-related capital projects.

In addition to the option of lot levies, school boards will be given the further option of accessing up to \$200 million in lower-cost Canada Pension Plan funds.

### **Agricultural Initiatives**

In addition to \$220 million in sales and fuel tax rebates and exemptions, Ontario provided \$524 million in expenditures in support of the agricultural community in 1988-89.

Direct financial assistance to agriculture, including property tax rebates, low interest loans and commodity price supports, has more than doubled from 1984-85 to 1988-89, and in 1989-90 will total

\$239 million. Funding will be provided for several initiatives, including a five-year \$55 million program for the red meat industry, and \$11 million in assistance to new farmers under Farm-Start. Assistance under the Farm Property Tax Rebate Program will be targeted to full-time farmers.

Other support to the agricultural community includes the balance of a \$10 million contribution to a \$40 million joint extension of the federal-provincial Tobacco Exit Assistance Program, and \$29.5 million for programs in support of adjustments in the wine and grape industry. Funding for land conservation management will increase to \$12.3 million.

### **Enriching Ontario's Cultural Environment**

In recognition of the economic importance of Ontario's cultural sector, the Budget will provide an additional \$25 million to a variety of organizations and institutions that contribute to Ontario's rich cultural environment.

### **Public Sector Pensions**

One consolidated pension fund will be established for the teachers' plan and a separate one will be established for the public service plan. To sustain future benefits, the Government will increase its contribution by one percentage point. Public servants and teachers will be required to provide a matching contribution. Over the next 40 years, the Government will pay for past deficits estimated to total \$5.7 billion. The plans will be permitted to invest in market securities.

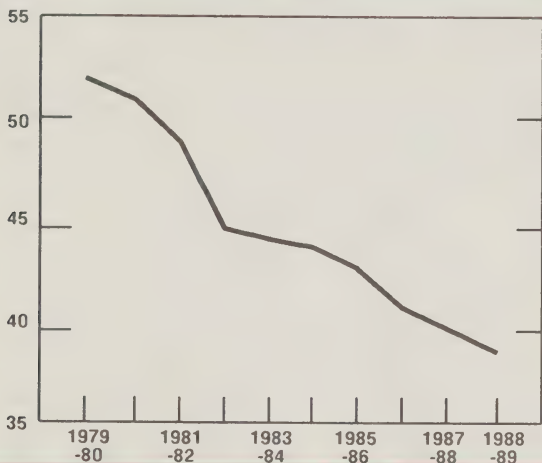
### **Federal-Provincial Issues**

The federal budget included reductions in federal support for health care and post-secondary education; deferral of the Canada Child Care Bill; increased federal excise and sales taxes, personal income taxes, and corporate taxes; and alterations

to the Unemployment Insurance Program. The negative fiscal impact on Ontario of the federal budget is estimated at \$560 million on a full-year basis.

### Federal Share of Health and Post-Secondary Education Spending in Ontario, 1979-80 to 1988-89

per cent



Reductions introduced by the federal government to Established Programs Financing entitlements for Ontario amounted to approximately \$970 million last year and will be about \$1.2 billion this fiscal year. With the latest changes, the federal share of these programs will be reduced from a high of 51 per cent in 1979-80 to less than 38 per cent. The federal government has also reduced by 50 per cent its commitment for regional economic development in Ontario.

### Responsible Fiscal Management

"Pay-as-you-go" continues to be a fundamental principle guiding the Government's fiscal policy. The Budget produces the highest operating surplus

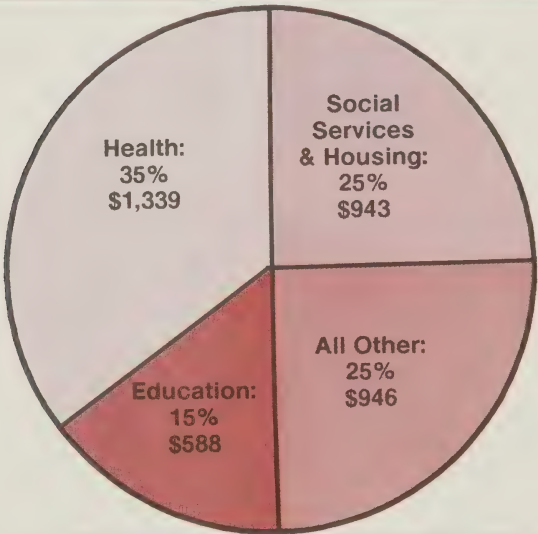
in Ontario's history, which will fund 82 per cent of Ontario's largest ever annual capital expenditure.

Ontario will have an operating surplus of \$2.6 billion in 1989-90, and the deficit has been reduced by \$911 million this year, to \$577 million, its lowest level in 15 years.

### Spending Control

Last year's Budget target of \$500 million for in-year expenditure savings and constraints has been achieved.

**Distribution of New Spending in 1989-90\***  
(\$ million and per cent share)



\* Data adjusted to exclude impact of advanced payments.

More than 75 per cent of the increased expenditure requirements this year are dedicated to health care, education, housing and social services.



## Revenue Measures

Additional revenue measures include: changes to the land transfer tax, motive fuel taxation, driver's licence fees, alcohol levies, water power rental rates and retail sales tax rebates on alternative fuel conversions and on vehicles for the disabled; introduction of unclaimed property legislation and mining tax instalments; and application of a debt guarantee fee to Ontario Hydro.

## 1989-90 Fiscal Plan

(\$ billion)

	Interim 1988-89	Budget Plan 1989-90	Per Cent Change
<b>Revenue</b>	<b>37.2</b>	<b>40.7</b>	<b>9.4</b>
<b>Expenditure*</b>	<b>38.7</b>	<b>41.3</b>	<b>6.7</b>
<b>Deficit to Finance Capital</b>	<b>1.5</b>	<b>0.6**</b>	

\* Includes capital investments and advanced payments.

\*\* Lowest level since 1974-75.

## Conclusion

The Government is focussing its resources to support Ontario's competitive position while responding to the needs of those less able to help themselves. Sustainable and environmentally compatible economic growth is the key to improving the quality of life for all in Ontario.

The Budget keeps Ontario competitive, secures the financing of health care, reforms Ontario's assistance to the socially and economically disadvantaged, provides for major investments in transportation, supports a cleaner, healthier environment and funds the introduction of education innovations.

The Budget substantially enriches benefits for children and their families and includes major increases to meet basic shelter needs. Individuals and families will be able to take advantage of new opportunities for independence.

The Budget ensures the necessary revenues are in place to secure the future of Ontario's essential services.

The Budget provides individuals and families with \$1 billion in direct savings and lower taxes through the elimination of OHIP premiums.

All this is accomplished with Ontario's future clearly in mind and with renewed dedication to Ontario's policy of continued fiscal responsibility.

## Expenditure

(\$ million)

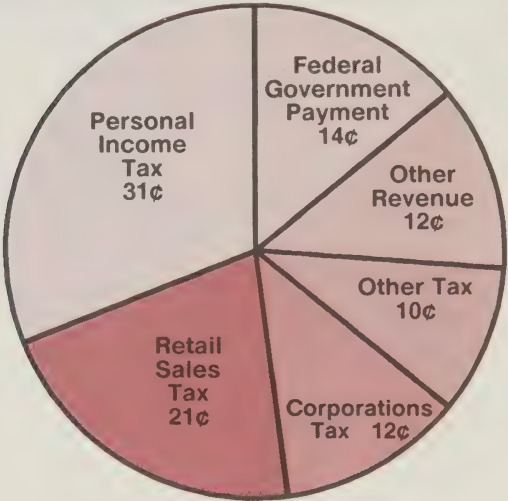
Ministry	Interim 1988-89	Budget Plan 1989-90
Agriculture and Food	511	527
Attorney General	415	506
Office Responsible for Native Affairs	4	6
Citizenship	44	51
Colleges and Universities	2,558	2,746
Community and Social Services	4,307	5,056
Consumer and Commercial Relations	146	156
Correctional Services	410	454
Culture and Communications	255	317
Education	4,810	5,210
Energy	38	43
Environment	414	483
Financial Institutions	37	41
Government Services	619	740
Health	12,565	13,904
Housing	421	537
Industry, Trade and Technology	155	183
Technology Fund	61	85
Intergovernmental Affairs	8	9
Labour	119	139
Office Responsible for Women's Issues	16	18
Legislative and Executive Offices	11	12
Management Board	38	48
Municipal Affairs	969	978
Natural Resources	576	570
Northern Development and Mines	287	322
Office for Disabled Persons	7	8
Office Responsible for Senior Citizens Affairs	5	9
Revenue	798	850
Skills Development	402	433
Solicitor General	448	475
Tourism and Recreation	177	191
Transportation	2,066	2,313
Treasury and Economics	30	32
Economic Development Projects	41	63
Public Debt Interest	4,028	4,290
Board of Internal Economy	91	98
Advance Payments:		
Colleges and Universities	110	-
Education	300	-
Municipal Affairs	413	(413)
Expenditure Savings and Constraints		(200)
<b>Total</b>	<b>38,710</b>	<b>41,290</b>

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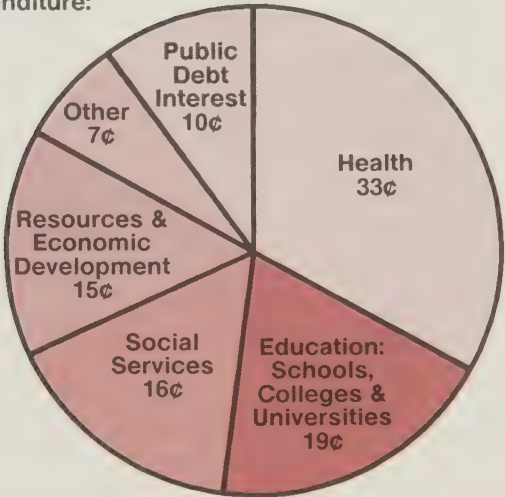
## The Budgetary Dollar: 1989-90

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### Revenue:



### Expenditure:



## Enquiries

General enquiries about the 1989 Ontario Budget should be directed to:

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Frost Building South, Queen's Park  
Toronto, Ontario  
M7A 1Y7  
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